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# Sitting in Cash?
# Consider getting off the sidelines

September 2024



**PIMCO Investments LLC**

# Agenda

# Reasons to hold cash and considerations

# Understanding cash positions: conversation starters

01 What are your reasons for holding a larger cash position today?

02 What are your anticipated cash needs?

03 What are your greatest concerns about deploying some of your current cash?

04 What are your expectations for interest rates in the future?

05 What do you plan to do with your current short-term holdings when they mature?

06 Are there any alternatives that you have been considering?

**For Illustrative Purposes Only**
Source: PIMCO

# Reasons to consider holding cash

| | |
|---|---|
| **Provide financial security and flexibility for current expenditures** | Cash may offer a sense of security by providing immediate access to funds for current and near-term expenditures |
| **Cover emergencies or unexpected expenses** | Holding cash can help prepare for unforeseen expenses such as medical emergencies and home repairs |
| **Tactical opportunities to invest** | Cash allows for the flexibility to take advantage of investment opportunities that may arise |
| **Help protect against market fluctuations** | Holding cash may help mitigate the impact of market downturns by providing liquidity and reducing exposure to volatile investments |
| **Prepare for known liabilities** | Appropriate cash balances can be matched against known, short-term liabilities |

**For Illustrative Purposes Only**
Source: PIMCO
Refer to Appendix for additional investment strategy, outlook and risk information

# Heavy cash can introduce new potential risks

## Inflation risk

Purchasing power of principal declines over time

## Reinvestment risk

Current returns on cash investments may not be available at maturity

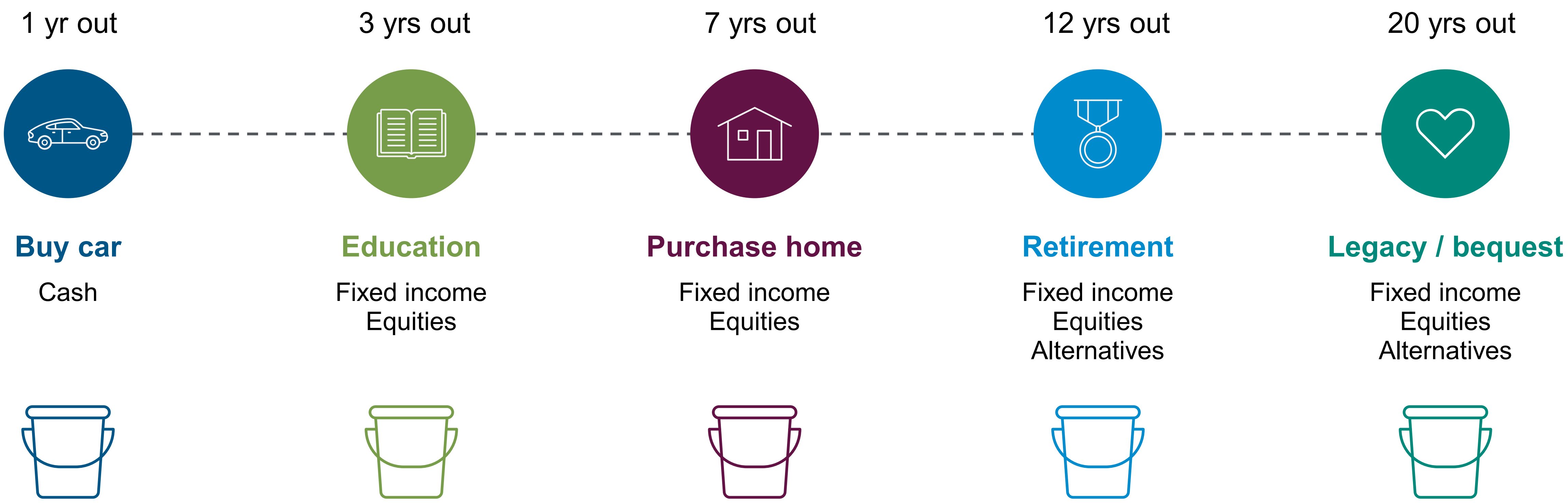
## Drag on returns

Relying too heavily on cash can lower returns when compared to a diversified portfolio of equities and fixed income

**For Illustrative Purposes Only**
Source: PIMCO
Refer to Appendix for additional investment strategy and risk information.

# Prepare for known liabilities

## Positive mental accounting




**For Illustrative Purposes Only**
Source: PIMCO
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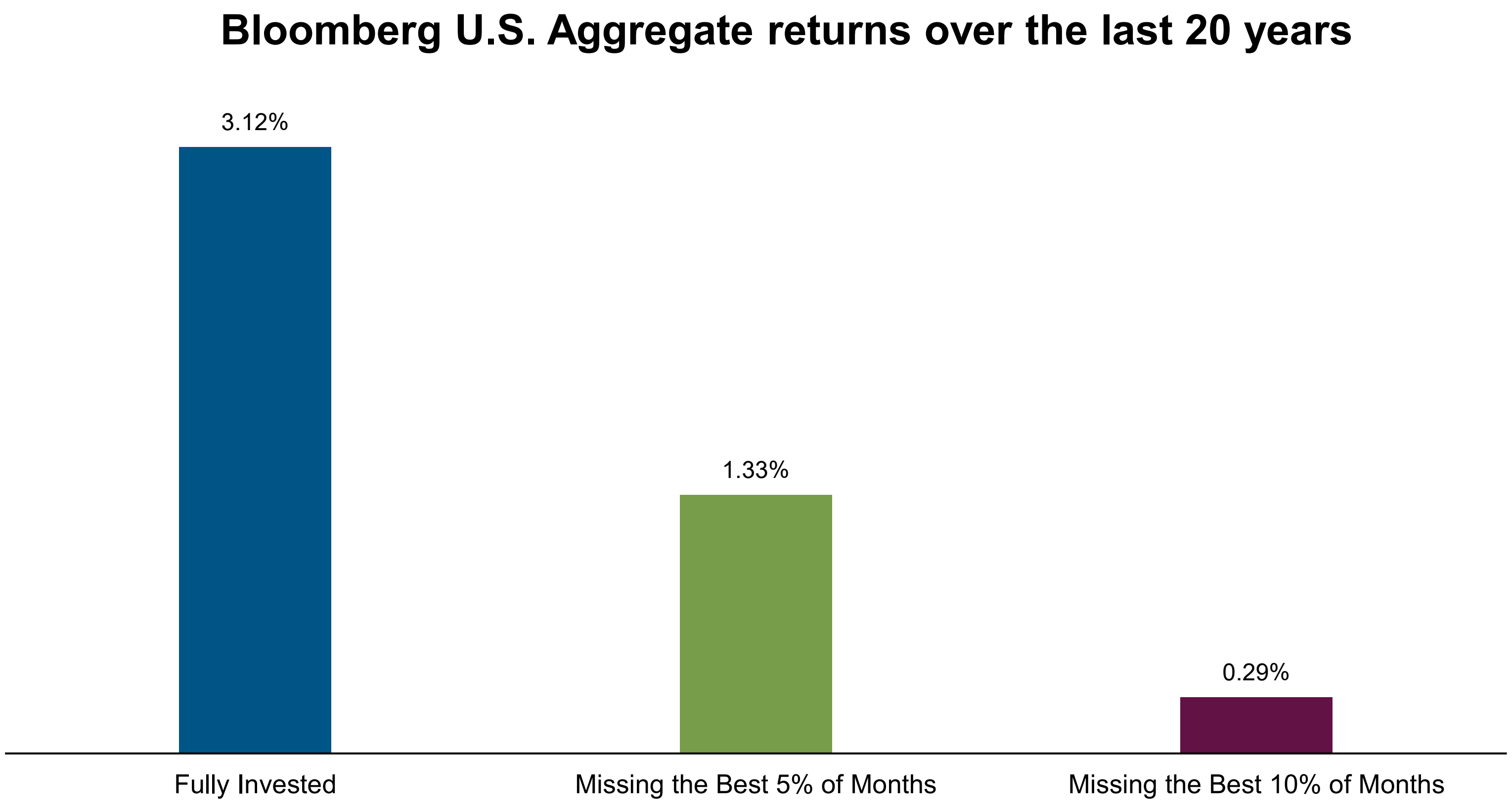
# Fixed income as an opportunity to redeploy cash

# Potential benefits of staying invested:

## Missing a fraction of the best months for bonds can meaningfully hurt long-term returns




**Missing the best 5% and 10% of months over the past 20 years would have cost bond investors a majority of their returns**

As of 30 June 2024; SOURCE: PIMCO, Bloomberg.
**Past performance is not a guarantee nor a reliable indicator of future performance.**
Annualized returns are shown for the past 20 years.
Refer to Appendix for additional index and risk information.

# Bonds may provide total return opportunities that cash doesn't

As yields move up and down, bond prices move up and down.


**For illustrative purposes only.**
Source: PIMCO
Refer to Appendix for additional investment strategy and risk information.



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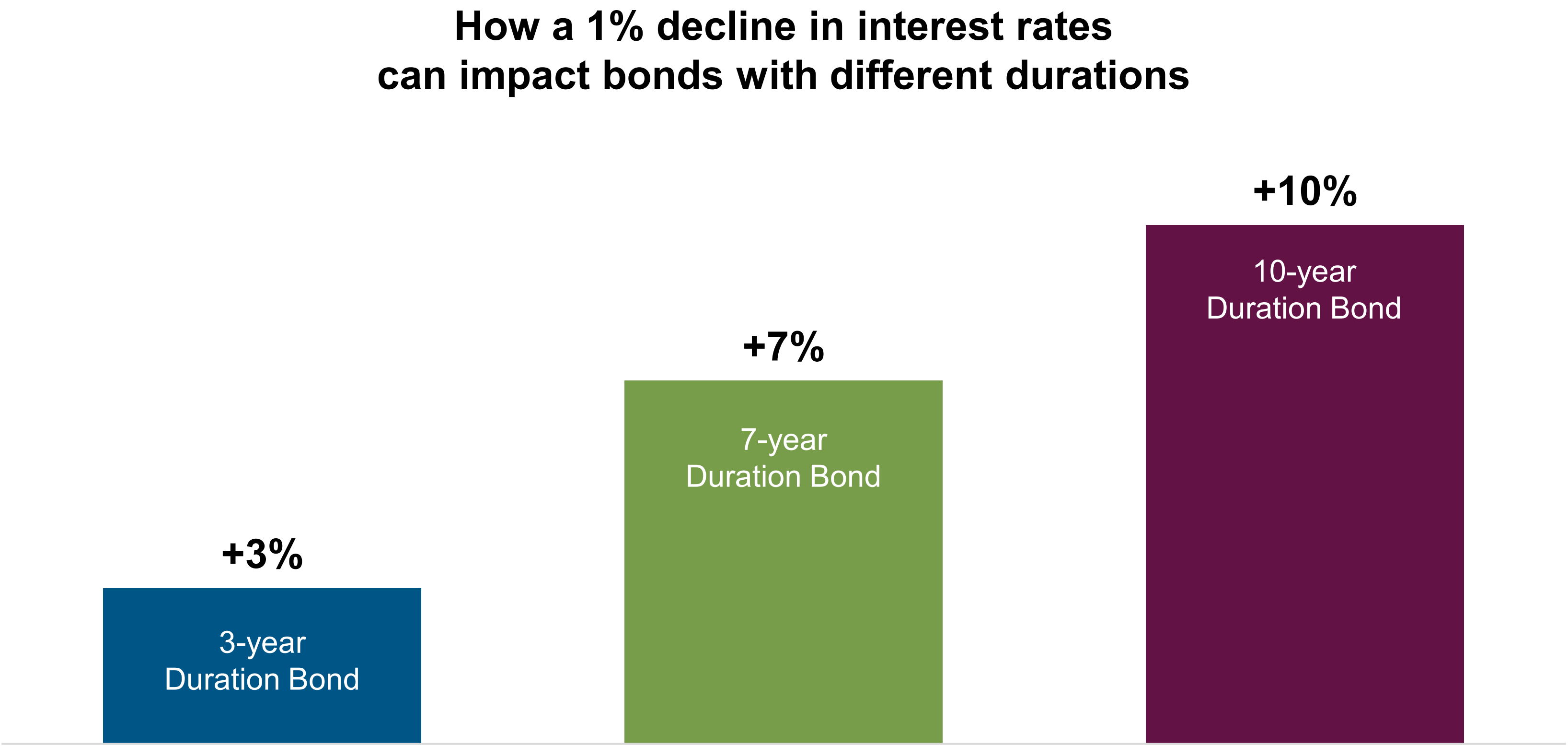
# Total return potential in bonds

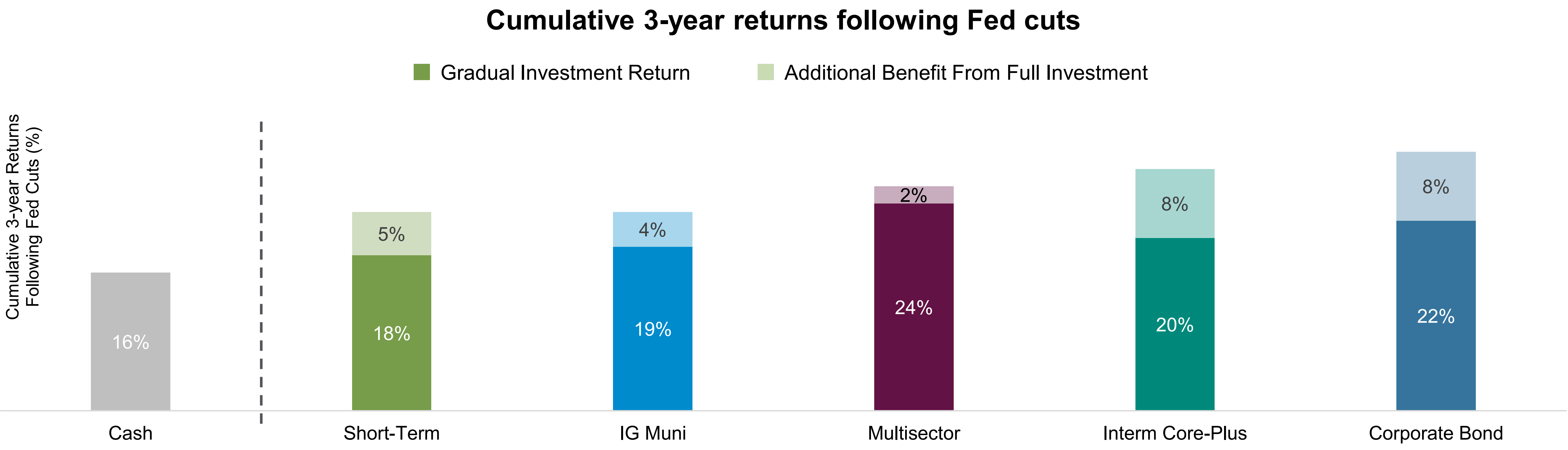
## Declining rates can lead to bond gains that short-term cash investments don't provide

**Duration (measured in years) estimates the % change in a bond's price for a 1% change in yield.**




As of: 31 August 2024; Source: PIMCO
**Example for illustrative purposes only.**
**Past performance is not a guarantee nor a reliable indicator of future performance**
Refer to Appendix for additional investment strategy and risk information

# Fully investing at the first cut has consistently outperformed gradual reinvestment across sectors



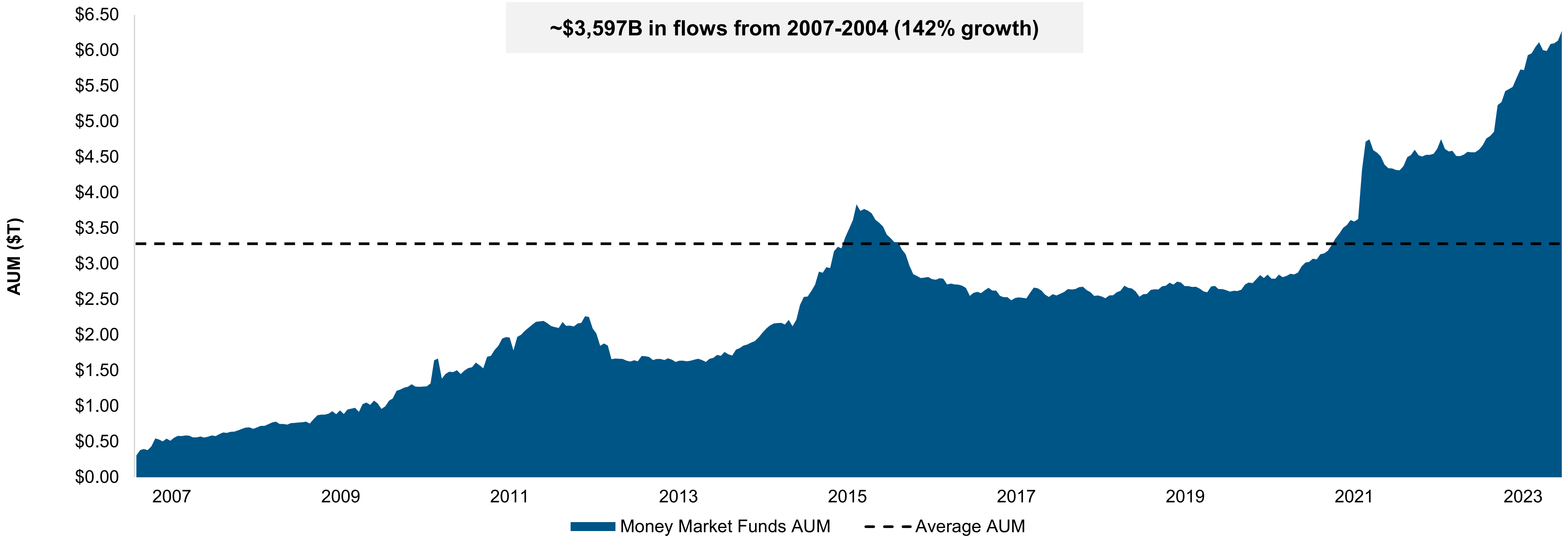

| | Short-Term | IG Muni | Multisector | Interm Core-Plus | Corporate Bond |
|---|---|---|---|---|---|
| **Fully Invested at Cut vs. Gradual Investment** | 86% | 71% | 57% | 100% | 100% |

As of 30 June 2024.
SOURCE: PIMCO, Morningstar.
Morningstar US Categories are represented by: Intermediate Core Bond (Interm Core), Intermediate Core-Plus Bond (Interm Core-Plus), Corporate Bond (Corporate Bond), Short-Term Bond (Short-Term), Intermediate Government (Interm Gov), Global Bond (Global Bond), High Yield Bond (High Yield), Long-Term Bond (Long-Term), Muni National Intermediate (Muni Interm), Muni National Long (Muni Long), High Yield Muni (HY Muni), Large Blend (US Large Equity), and Foreign Large Blend (Foreign Large Equity).
Cutting cycle start dates are 30 June 1981, 30 September 1984, 31 May 1989, 30 June 1995, 31 December 2000, 30 September 2007, and 31 July 2019.
[1]Gradual Investment starts with a 100% cash allocation represented by the FTSE 3-Month Treasury Bill Index and moves an equal proportion of the portfolio into the respective Morningstar Category at the end of each month. By the end of the 3-year horizon, the portfolio will 100% be allocated to the respective Morningstar Category.
*Win rate measures the proportion of the cutting cycles that the fully invested portfolio beats the gradually invested portfolio by the end of the three year period.
Refer to Appendix for additional index, Morningstar category, outlook and risk information.

# Market landscape

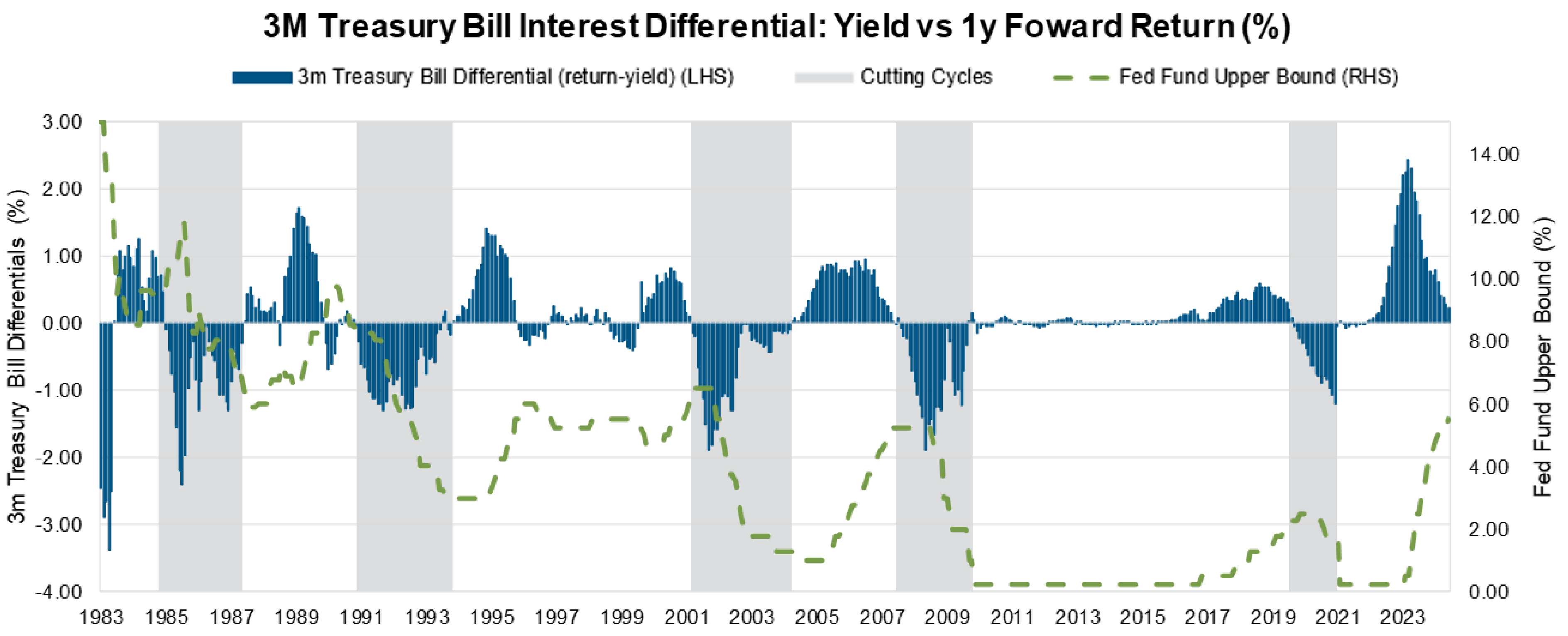
# Money market AUM at all-time highs

## Substantial Growth in Money Market Funds AUM




As of 31 August 2024
Source: Morningstar, Bloomberg, Crane Data.
Refer to Appendix for additional outlook and risk information.

# Money market funds (MMF) total return historically underperforms fund starting yield during Fed cutting cycles




| 3m Treasury Bill 1y forward return underpeformed estimated yield by: | | | | |
|---|---|---|---|---|
| 1985-1986 | 1989-1992 | 2000-2003 | 2007-2009 | 2019-2020 |
| 0.59% | 0.71% | 0.46% | 0.73% | 0.70% |

As of 31 August 2024. SOURCE: Bloomberg
**Past performance is not a guarantee or a reliable indicator of future results.**
3m Treasury TR: FTSE 3m Index. MMF Yield: Approximated by 3m UST yield, monthly averaged.
Refer to Appendix for additional index, investment strategy and risk information.



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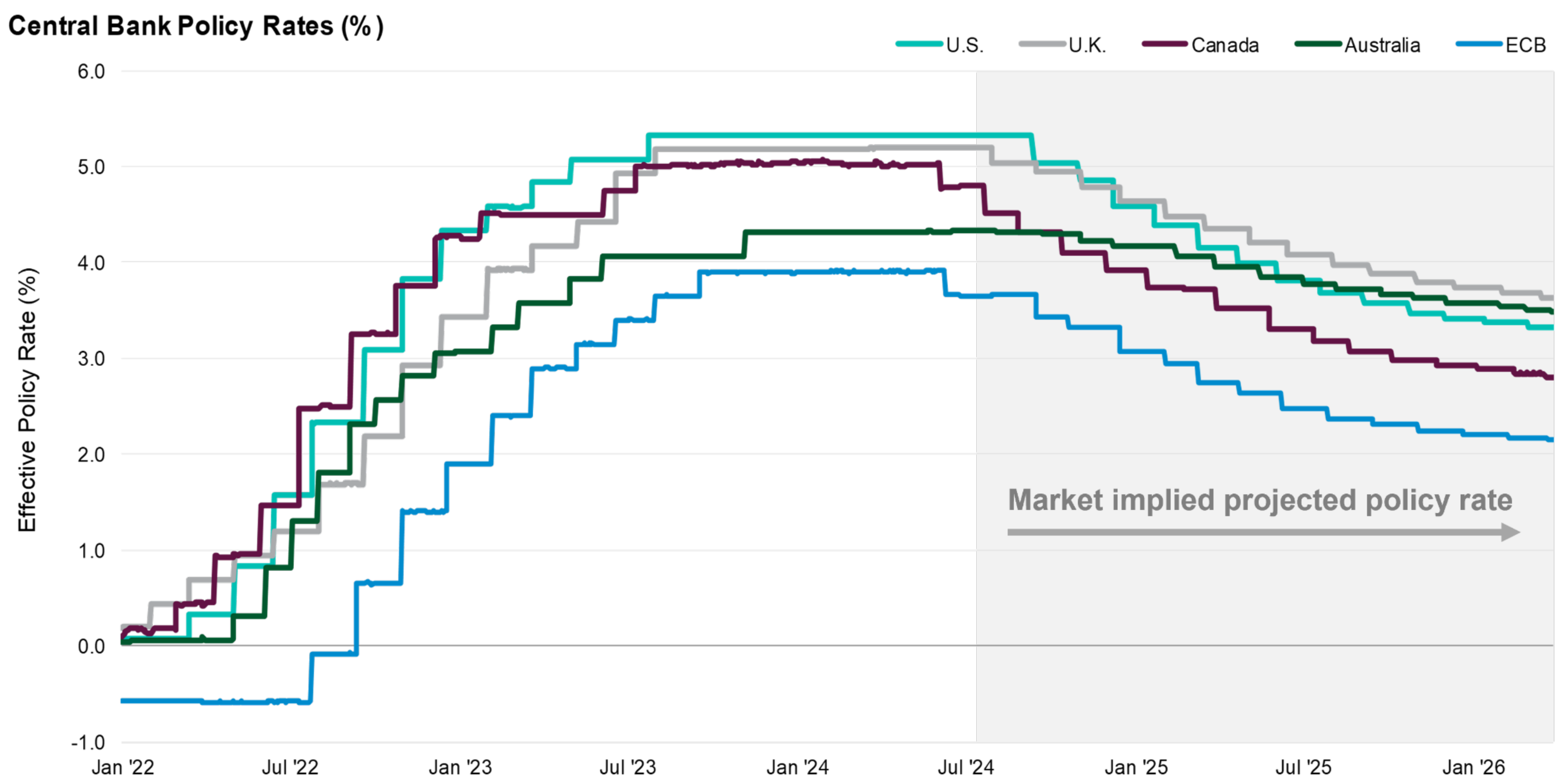
# Falling rates:

## Despite disparity, markets expect a synchronous path forward




As of 31 August 2024. Source: Bloomberg, PIMCO.
Refer to Appendix for additional forecast, outlook and risk information.



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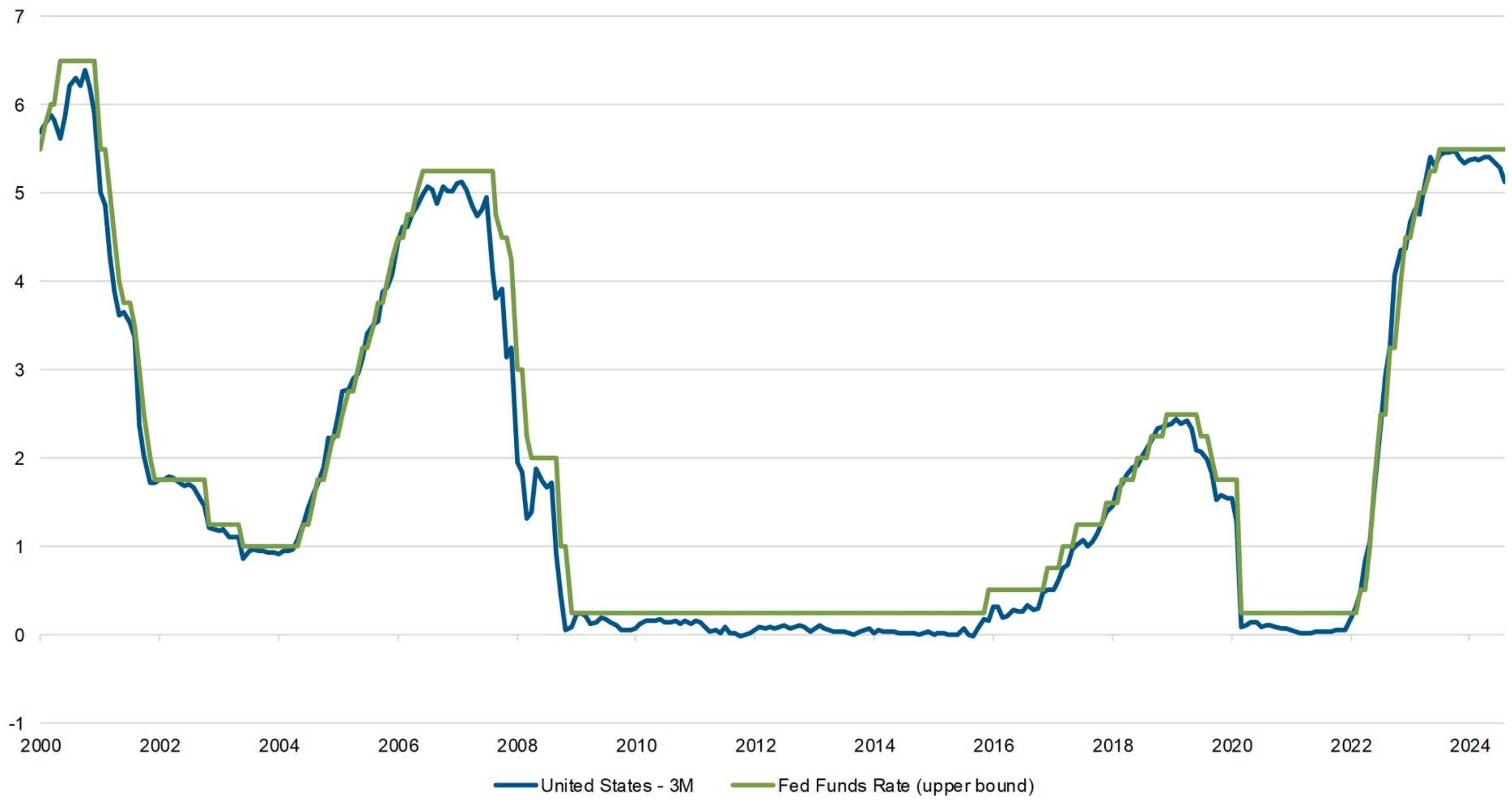
# Short-term yields have risen dramatically – likely to their peak level

## Movement in rates (Q1 2000 – August 2024)




As of 31 August 2024
Source: Bloomberg
Refer to Appendix for additional investment strategy, outlook and risk information



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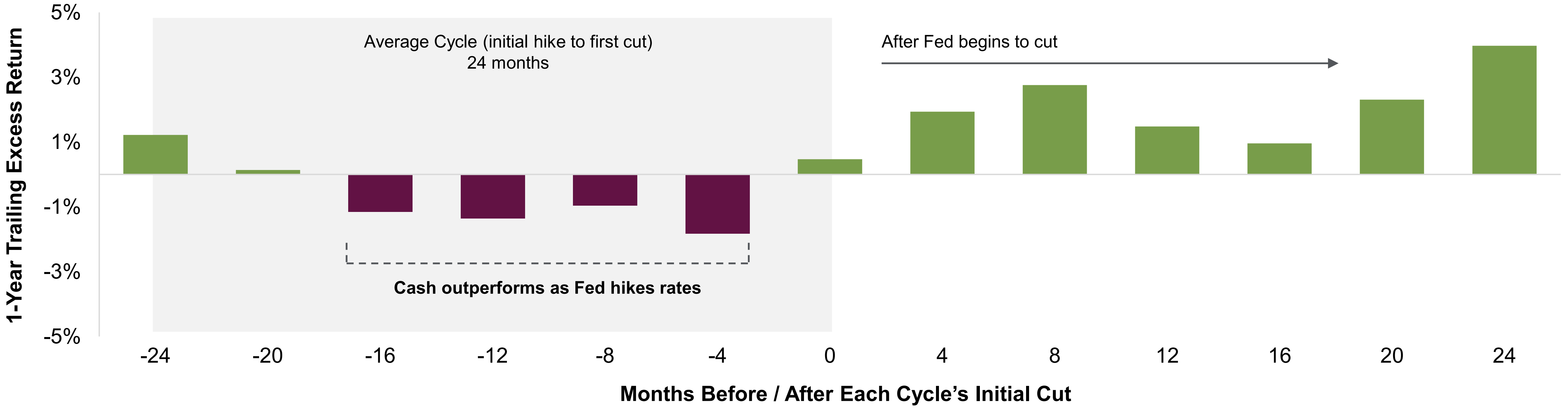
# As cutting cycles begin, a reversal in fixed income returns has tended to follow

## Fixed income performance across hiking cycles

12-month trailing return: Morningstar Short-Term Category vs. T-bills[1]




As of 31 August 2024. SOURCE: Morningstar, PIMCO.

[1] Hiking cycles are defined as periods where the Federal Reserve embarks on a sustained path of increasing the target Fed Funds rate and/or target range. We define the end of a hiking cycle as the month where the Fed reaches its peak policy rate for that cycle (i.e., it either pauses rate hikes or cuts). Hiking cycles include (start to peak), 1980 (Jul '80 to May '81), 1983 (Feb '83 to Aug '84), 1988 (Feb '88 to Mar '89), 1994 (Jan '94 to Feb '95), 1999 (May '99 to May '00), 2004 (May '04 to Jun '06) and 2015 (Nov '15 to Dec '18). Cutting cycles start: 30 June 1981, 30 September 1984, 31 May 1989, 30 June 1995, 31 December 2000, 30 September 2007, and 31 July 2019.

Refer to Appendix for additional forecast, index, outlook, and risk information.



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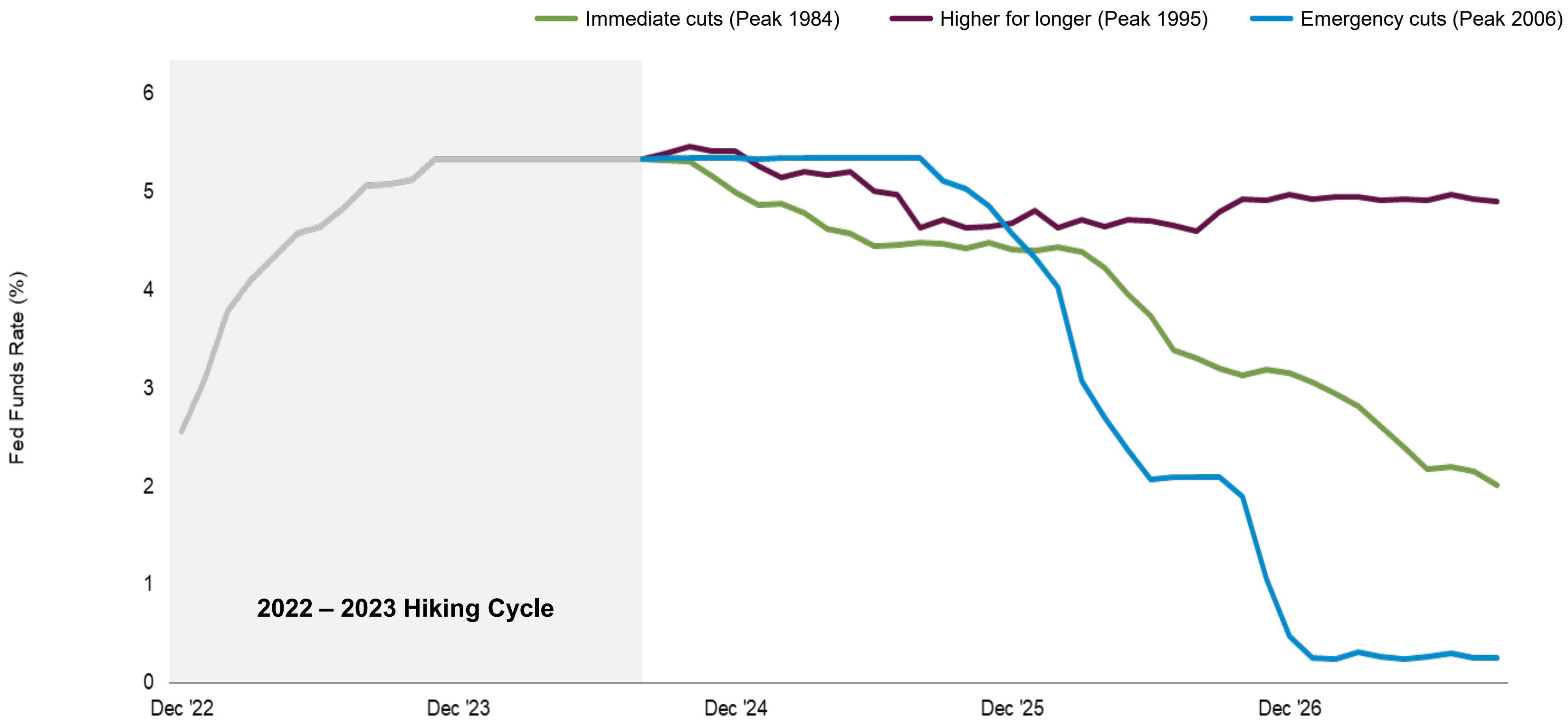
# Front-end strategies have the potential to outperform across a range of hiking cycle endgame scenarios

## Potential cutting cycle outcomes[1]

Reviewing three distinct outcomes over the next 3-years




As of 31 August 2024. SOURCE: Bloomberg, PIMCO, Morningstar. **For illustrative purposes only.**

[1] Hiking cycles are defined as periods where the Federal Reserve embarks on a sustained path of increasing the target Fed Funds rate and/or target range. We define the end of a hiking cycle as the month where the Fed reaches its peak policy rate for that cycle (i.e., it either pauses rate hikes or cuts). Hiking cycles include (start to peak), 1983 (Feb '83 to Aug '84), 1994 (Jan '94 to Feb '95), 2004 (May '04 to Jun '06). We select three historical case studies to illustrate three very different outcomes for the path of the Fed Funds rate after rates hit their peak level in each cycle. The 1983 cycled is based on the rate of change given significantly higher starting yields versus today.

Refer to Appendix for additional forecast, outlook, and risk information.



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# PIMCO liquidity tiering approach

# Short-term investors can look to emphasize potential benefits within a tiered framework

**1**

### Seek capital preservation

Shortening duration can help reduce interest rate sensitivity and limit overall volatility

**2**

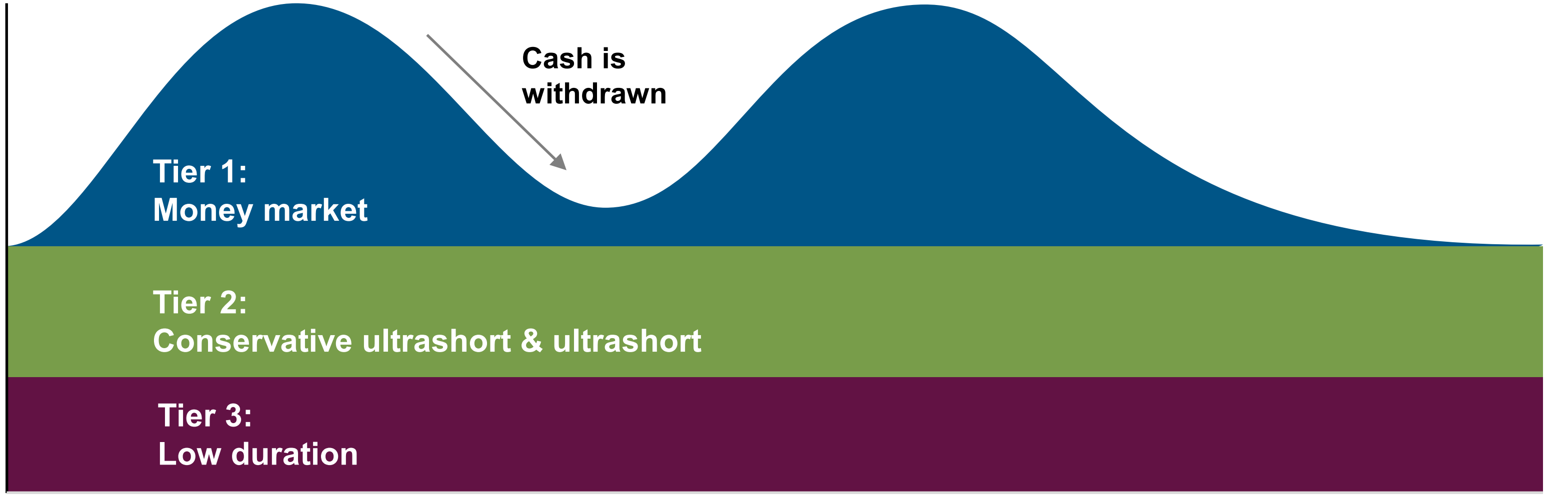
### Maintain liquidity

Flexibility and a defensive mindset are critical to front-end investing

**3**

### Enhance return potential

Look to benefit from higher yields by stepping outside of money market eligible securities for a modest increase in risk




**Tier 1:**
Immediate liquidity

**Tiers 2 & 3:**
Consider time horizon and risk/return goals for the remaining allocation

**For Illustrative Purposes Only.**
Source: PIMCO
Short-term investments will be more volatile than traditional cash investments and their value will fluctuate. The investments may also invest a portion of their total assets in junk bonds. Short term strategies are not federally guaranteed and may lose value.
Refer to Appendix for additional investment strategy and risk information.

# PIMCO short-term philosophy

## Preserve capital and provide liquidity while also generating a high level of current income

### Short-term opportunity set


**Flexible capstone:**

As guidelines permit, the portfolio management team may utilize additional discretion to further strengthen alpha potential

**Diversifying spread sectors:**

Add incremental return potential while emphasizing bottom-up analysis

**High quality, liquidity-minded foundation:**

Portfolio construction begins with high quality bonds across a range of fixed income markets

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Source: PIMCO
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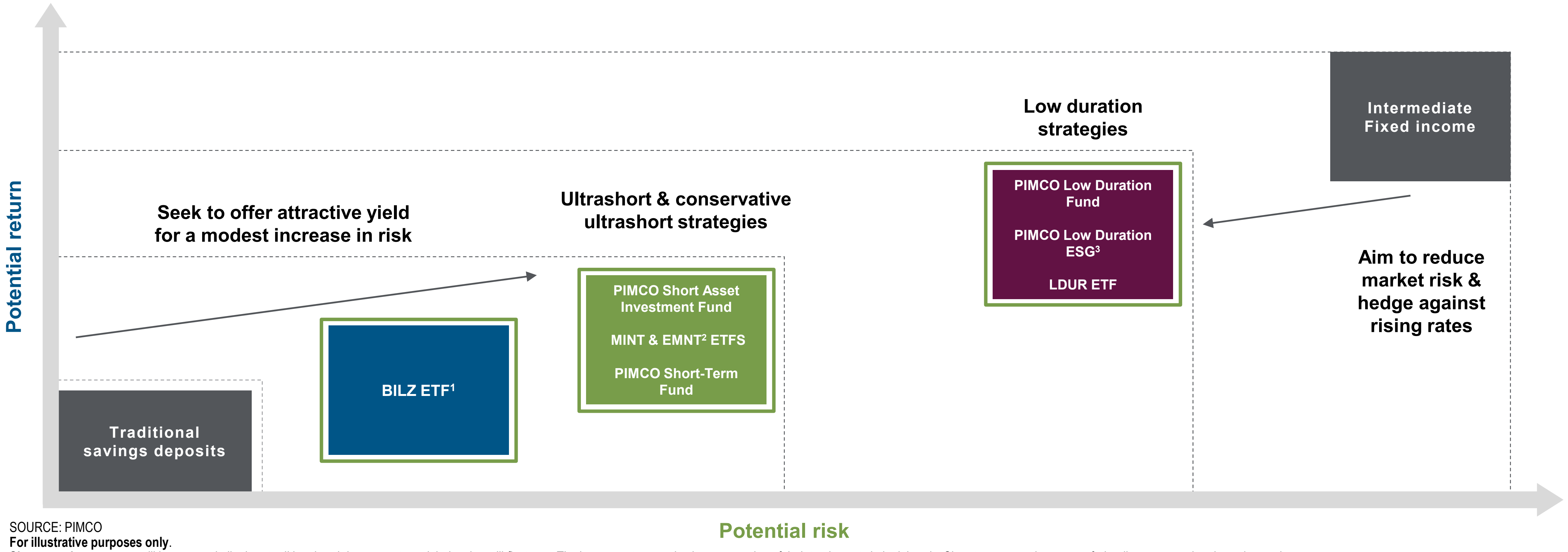
# Short duration strategies: can help investors navigate multiple challenges




SOURCE: PIMCO
**For illustrative purposes only**.
**Short-term investments** will be more volatile than traditional cash investments and their value will fluctuate. The investments may also invest a portion of their total assets in junk bonds. Short term strategies are not federally guaranteed and may lose value.
[1]**BILZ** is not a money market fund and does not seek to maintain a stable net asset value of $1.00 per share. [2]**PIMCO Enhanced Short Maturity Active ESG Exchange-Traded Fund (EMNT)** is an actively managed exchange-traded fund (ETF) that seeks maximum current income, consistent with preservation of capital and daily liquidity, while incorporating PIMCO s environmental-, social- and governance-oriented (ESG) investment strategy. [1]EMNT will primarily invest in short duration investment grade debt securities, and will disclose all portfolio holdings on a daily basis. The average portfolio duration of EMNT will vary based on PIMCO s economic forecasts and active investment process decisions, and will not normally exceed one year. Please see the Fund's prospectus for more detailed information related to its investment objectives, investment strategies and approach to ESG.[1] The Fund considers ESG factors to choose securities that comprise the fund and to proactively engage with issuers to realize ESG-objectives. Environmental ("E") factors can include matters such as climate change, pollution, waste, and how an issuer protects and/or conserves natural resources. Social ("S") factors can include how an issuer manages its relationships with individuals, such as its employees, shareholders, customers and its community. Governance ("G") factors can include how an issuer operates, such as its leadership, pay and incentive structures, internal controls, and the rights of equity and debt holders. [3]**PIMCO Low Duration ESG Fund** is a diversified portfolio of short- and intermediate-term bonds that is actively managed to maximize return in a risk-controlled framework while focusing on environmental-, social-, and governance oriented (ESG) principles.[1] Please see the Fund's prospectus for more detailed information related to its investment objectives, investment strategies and approach to ESG.[1] The Fund considers ESG factors to choose securities that comprise the fund and to proactively engage with issuers to realize ESG-objectives. Environmental ("E") factors can include matters such as climate change, pollution, waste, and how an issuer protects and/or conserves natural resources. Social ("S") factors can include how an issuer manages its relationships with individuals, such as its employees, shareholders, customers and its community. Governance ("G") factors can include how an issuer operates, such as its leadership, pay and incentive structures, internal controls, and the rights of equity and debt holders.
Refer to Appendix for additional ESG investing, investment strategy and risk information.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# Potential benefits of active management

# Bonds are different:

## Active bond managers historically outperform passive

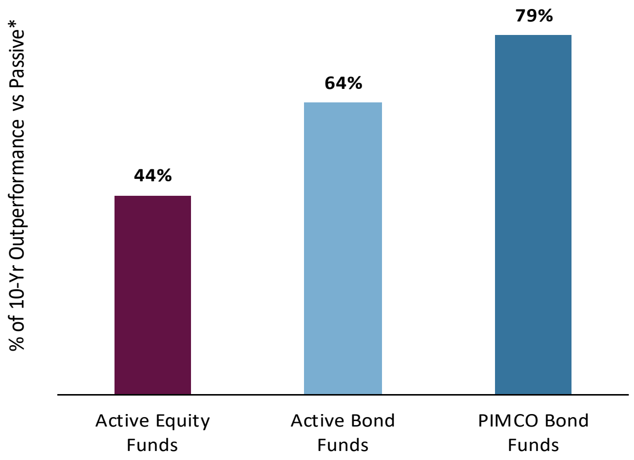
### Why active bond management works

**Index replication is challenging in bond markets**

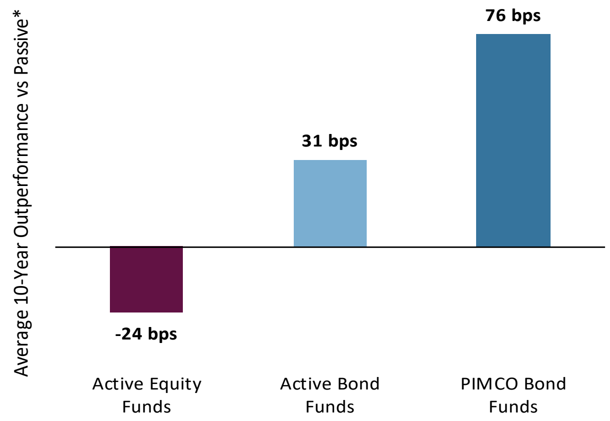
**Bond index design may be suboptimal**

**Many bond market participants do not seek to maximize profits**

**Active bond managers historically outperform passive…**




**…With meaningful outperformance**




Source: PIMCO and Morningstar as of 30 June 2024.
*Active outperformance compares the performance of actively managed funds (net of fee) versus the median passive peer (net of fees) over 10 year periods. The average magnitude of outperformance over the 10 year periods is annualized.
**Past performance is not a guarantee or a reliable indicator of future results.** "PIMCO Bond Funds" represents all PIMCO mutual funds and active ETFs in the Morningstar U.S. Taxable Bond and Municipal Bond Categories. "Active Bond Funds" represents actively managed mutual funds and ETFs in the Morningstar U.S. Taxable Bond and Municipal Bond Categories. "Active Equity Funds" represents actively managed mutual funds and ETFs in the Morningstar U.S. category groups of U.S. Equity, International Equity, Sector Equity, and Nontraditional Equity. PIMCO Bond Funds average annual outperformance is calculated at net asset value. Performance does not take into account the maximum initial sales charge and would be lower if it did. The net returns of Active Bond Funds, Active Equity Funds and PIMCO Bond Funds were compared against the median net returns of passive peers in each 10-year rolling period between 6/30/2004 and 6/30/2024 when both the funds being analyzed and the passive peers were present. Passive peers are mutual funds and ETFs classified as an "index fund" or an "enhanced index fund" in the same Morningstar category as the funds being analyzed. Oldest share class net returns are used for analysis. Results would vary if a different share class was selected. Different fund types (e.g. ETFs, open-end investment companies) and fund share classes are subject to different fees and expenses, which may affect performance, have different investment objectives, may have different minimum investment requirements, and may be entitled to different services.
Refer to Appendix for additional investment strategy, outlook and risk information.

# Structural sources of return for active short term investors

**Lower volatility** → **Higher Volatility**

| Liquidity premiums | Interest rate exposure (duration) | Relative value trades | Curve positioning | Spread sector exposures |
|---|---|---|---|---|

**Allocation based on the best "shock absorbers" of volatility**

| **Liquidity** | **Duration** | **Relative value** | **Curve** | **Spread** |
|---|---|---|---|---|

As of 30 June 2024
Source: PIMCO
**For illustrative purposes only**
Refer to Appendix for additional investment strategy and risk information

# Appendix

# Appendix

**Past performance is not a guarantee or a reliable indicator of future results.**

Investments made by a Fund and the results achieved by a Fund are not expected to be the same as those made by any other PIMCO-advised Fund, including those with a similar name, investment objective or policies. A new or smaller Fund's performance may not represent how the Fund is expected to or may perform in the long-term. New Funds have limited operating histories for investors to evaluate and new and smaller Funds may not attract sufficient assets to achieve investment and trading efficiencies. A Fund may be forced to sell a comparatively large portion of its portfolio to meet significant shareholder redemptions for cash, or hold a comparatively large portion of its portfolio in cash due to significant share purchases for cash, in each case when the Fund otherwise would not seek to do so, which may adversely affect performance.

Different fund types (e.g. ETFs, open-ended investment companies) and fund share classes are subject to different fees and expenses (which may affect performance). They may also have different minimum investment requirements and be entitled to different services.

**ESG INVESTING**
Sustainable Strategies are strategies with client-driven sustainability requirements. For these strategies, PIMCO actively incorporates sustainability principles (i.e. excluding issuers fundamentally misaligned with sustainability factors, evaluating issuers using proprietary and independent ESG scoring) consistent with those strategies and guidelines. Further information is available in PIMCO's Sustainable Investment Policy Statement. For information about funds that follow sustainability strategies and guidelines, please refer to the fund's prospectus for more detailed information related to its investment objectives, investment strategies, and approach to sustainable investment.

**ESG investing is qualitative and subjective by nature**, and there is no guarantee that the factors utilized by PIMCO or any judgment exercised by PIMCO will reflect the opinions of any particular investor, and the factors utilized by PIMCO may differ from the factors that any particular investor considers relevant in evaluating an issuer's ESG practices. In evaluating an issuer, PIMCO is dependent upon information and data obtained through voluntary or third-party reporting that may be incomplete, inaccurate or unavailable, or present conflicting information and data with respect to an issuer, which in each case could cause PIMCO to incorrectly assess an issuer's business practices with respect to its ESG practices. Socially responsible norms differ by region, and an issuer's ESG practices or PIMCO's assessment of an issuer's ESG practices may change over time. There is no standardized industry definition or certification for certain ESG categories, for example "green bonds"; as such, the inclusion of securities in these statistics involves PIMCO's subjectivity and discretion. There is no assurance that the ESG investing strategy or techniques employed will be successful. Past performance is not a guarantee or reliable indicator of future results.

**EXCHANGE-TRADED FUNDS**
**Exchange Traded Funds ("ETF")** are afforded certain exemptions from the Investment Company Act. The exemptions allow, among other things, for individual shares to trade on the secondary market. Individual shares cannot be directly purchased from or redeemed by the ETF. Purchases and redemptions directly with ETFs are only accomplished through creation unit aggregations or "baskets" of shares. Shares of an ETF, traded on the secondary market, are bought and sold at market price (not NAV). Brokerage commissions will reduce returns. Investment policies, management fees and other information can be found in the individual ETF's prospectus. **Buying or selling ETF shares on an exchange** may require the payment of fees, such as brokerage commissions, and other fees to financial intermediaries. In addition, an investor may incur costs attributed to the difference between the highest price a buyer is willing to pay to purchase shares of the Fund (bid) and the lowest price a seller is willing to accept for shares of the Fund (ask) when buying or selling shares in the secondary market (the bid-ask spread). Due to the costs inherent in buying or selling Fund shares, frequent trading may detract significantly from investment returns. Investment in Fund shares may not be advisable for investors who expect to engage in frequent trading. **Premium/Discount** is the difference between the market price and NAV expressed as a percentage of NAV. **Current holdings** are subject to risk. Holdings are subject to change at any time. An investment in an ETF involves risk, including the loss of principal. Investment return, price, yield and Net Asset Value (NAV) will fluctuate with changes in market conditions. Investments may be worth more or less than the original cost when redeemed. **ETF shares may be bought or sold throughout the day** at their market price on the exchange on which they are listed. However, there can be no guarantee that an active trading market for PIMCO ETF shares will develop or be maintained, or that their listing will continue or remain unchanged.

**FORECAST**
Forecasts, estimates and certain information contained herein are based upon proprietary research and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. There is no guarantee that results will be achieved.

**INVESTMENT STRATEGY**
There is no guarantee that these investment strategies will work under all market conditions or are appropriate for all investors and each investor should evaluate their ability to invest long-term, especially during periods of downturn in the market. No representation is being made that any account, product, or strategy will or is likely to achieve profits, losses, or results similar to those shown.

**INDEX**
It is not possible to invest directly in an unmanaged index.

# Appendix

**MORNINGSTAR CATEGORIES**

***INTERMEDIATE-TERM CORE BOND***

Intermediate-term core bond portfolios invest primarily in investment-grade U.S. fixed-income issues including government, corporate, and securitized debt, and hold less than 5% in below-investment-grade exposures

***INTERMEDIATE-TERM CORE-PLUS BOND***

Intermediate-term core-plus bond portfolios invest primarily in investment-grade U.S. fixed-income issues including government, corporate, and securitized debt, but generally have greater flexibility than core offerings to hold non-core sectors such as corporate high yield, bank loan, emerging-markets debt, and non-U.S. currency exposures. Their durations (a measure of interest-rate sensitivity) typically range between 75% and 125% of the three-year average of the effective duration of the Morningstar Core Bond Index.

***SHORT-TERM BOND***

Short-term bond portfolios invest primarily in corporate and other investment-grade U.S. fixed-income issues and typically have durations of 1.0 to 3.5 years. These portfolios are attractive to fairly conservative investors, because they are less sensitive to interest rates than portfolios with longer durations. Morningstar calculates monthly breakpoints using the effective duration of the Morningstar Core Bond Index in determining duration assignment. Short-term is defined as 25% to 75% of the three-year average effective duration of the MCBI.

***ULTRASHORT BOND***

Ultrashort-bond portfolios invest primarily in investment-grade U.S. fixed-income issues and have durations typically of less than one year. This category can include corporate or government ultrashort bond portfolios, but it excludes international, convertible, multisector, and high-yield bond portfolios. Because of their focus on bonds with very short durations, these portfolios offer minimal interest-rate sensitivity and therefore low risk and total return potential. Morningstar calculates monthly breakpoints using the effective duration of the Morningstar Core Bond Index in determining duration assignment. Ultrashort is defined as 25% of the three-year average effective duration of the MCBI.

***MULTISECTOR BOND***

Multisector bond portfolios seek income by diversifying their assets among several fixed-income sectors, usually U.S. government obligations, U.S. corporate bonds, foreign bonds, and high-yield U.S. debt securities. These portfolios typically hold 35% to 65% of bond assets in securities that are not rated or are rated by a major agency such as Standard & Poor's or Moody's at the level of BB (considered speculative for taxable bonds) and below.

***CORPORATE BOND***

Corporate bond portfolios concentrate on investment-grade bonds issued by corporation in U.S. dollars, which tend to have more credit risk than government or agency-backed bonds. These portfolios hold more than 65% of their assets in corporate debt, less than 40% of their assets in non-U.S. debt, less than 35% in below investment-grade debt, and durations that typically range between 75% and 150% of the three-year average of the effective duration of the Morningstar Core Bond Index.

***HIGH-YIELD BOND***

High-yield bond portfolios concentrate on lower-quality bonds, which are riskier than those of higher-quality companies. These portfolios generally offer higher yields than other types of portfolios, but they are also more vulnerable to economic and credit risk. These portfolios primarily invest in U.S. high-income debt securities where at least 65% or more of bond assets are not rated or are rated by a major agency such as Standard & Poor’s or Moody’s at the level of BB (considered speculative for taxable bonds) and below.

***BANK LOAN***

Bank-loan portfolios primarily invest in floating-rate bank loans and floating-rate below investment-grade securities instead of bonds. In exchange for credit risk, these loans offer high interest payments that typically float above a common short-term benchmarks such as Libor or SOFR.

***GLOBAL BOND***

Global Bond portfolios typically invest 40% or more of their assets in fixed-income instruments issued outside of the U.S. These portfolios invest primarily in investment-grade rated issues, but their strategies can vary. Some follow a conservative approach, sticking with high-quality bonds from developed markets. Others are more adventurous, owning some lower-quality bonds from developed or emerging markets. Some portfolios invest exclusively outside the U.S., while others invest in both U.S. and non-U.S. bonds. Many consistently maintain significant allocations to non-U.S. dollar currencies, while others have the flexibility to make sizeable adjustments between their U.S. dollar and non-U.S. currency exposures.

***GLOBAL BOND-USD HEDGED***

USD hedged portfolios typically invest 40% or more of their assets in fixed-income instruments issued outside of the U.S. These portfolios invest primarily in investment’-grade rated issues, but their strategies can vary. Some follow a conservative approach, sticking with high-quality bonds from developed markets. Others are more adventurous, owning some lower-quality bonds form developed or emerging economies. Some portfolios invest exclusively outside the U.S., while others invest in both U.S. and non-U.S. bonds. Funds in this category hedged most of their non-U.S.-dollar exposure back to the U.S. dollar.

# Appendix

**MORNINGSTAR CATEGORIES (CONT'D)**

***EMERGING-MARKETS BOND***

Emerging-markets bond portfolios invest more than 65% of their assets in foreign bonds from developing countries. The largest portion of the emerging-markets bond market comes from Latin America, followed by Eastern Europe, Africa, the Middle East, and Asia make up the rest.

***NONTRADITIONAL BOND***

Inclusion in nontraditional bond is informed by a balance of factors determined by Morningstar analysts. Those typically include a mix of: absolute return mandates; goals of producing returns not correlated with the overall bond market; performance benchmarks based on ultrashort-term interest rates such as T-bills; the ability to take long and short market and security-level positions using a broad range of derivatives; and few or very limited portfolio constraints on exposure to credit, sectors, currency, or interest-rate sensitivity. Funds in this group typically have the flexibility to manage duration exposure over a wide range of years and to take it to zero or a negative value.

***LONG GOVERNMENT***

Long government portfolios have at least 90% of their bond holdings invested in bonds by the U.S. government or by government-linked agencies. This backing minimizes the credit risk of these portfolios, as the U.S. government is unlikely to default on its debt. They are not risk-free, though. Because these portfolios have durations of typically 6.0 years, they are more sensitive to interest rates, and thus riskier, than portfolios that have shorter durations. Morningstar calculates monthly breakpoints using the effective duration of the Morningstar Core Bond Index in determining duration assignment. Long term is defined as 125% of the three-year average effective duration of the MCBI.

***INTERMEDIATE GOVERNMENT***

Intermediate government portfolios have at least 90% of their bond holdings invested in bonds by the U.S. government or by government-linked agencies. This backing minimizes the credit risk of these portfolios, as the U.S. government is unlikely to default on its debt. These portfolios have durations typically between 3.5 and 6.0 years. Consequently, the group's performance – and its level of volatility – tends to fall between that of the short government and long government bond categories. Morningstar calculates monthly breakpoints using the effective duration of the Morningstar Core Bond Index in determining duration assignment. Intermediate is defined as 75% to 125% of the three-year average effective duration of the MCBI.

***MUNI NATIONAL LONG BOND***

Muni national long portfolios invest in bonds issued by various state and local governments to fund public projects. The income from these bonds is generally free from federal taxes. To lower risk, these portfolios spread their assets across many states and sectors. These portfolios have durations of more than 6.0 years (or average maturities of more than 12 years).



**OAS**

The option adjusted spread (OAS) measures the spread over a variety of possible interest rate paths. A security's OAS is the average  earned over Treasury returns, taking multiple future interest rate scenarios into account.

**OUTLOOK**

Statements concerning financial market trends or portfolio strategies are based on current market conditions, which will fluctuate. There is no guarantee that these investment strategies will work under all market conditions or are appropriate for all investors and each investor should evaluate their ability to invest for the long term, especially during periods of downturn in the market. Outlook and strategies are subject to change without notice.

# Appendix

**RISK**

**A word about risk: All investments contain risk and may lose value.** Investing in the **bond market** is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk. The value of most bonds and bond strategies are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and volatile than those with shorter durations; bond prices generally fall as interest rates rise, and the current low interest rate environment increases this risk. Current reductions in bond counterparty capacity may contribute to decreased market liquidity and increased price volatility. Bond investments may be worth more or less than the original cost when redeemed. Investing in **foreign denominated and/or domiciled securities** may involve heightened risk due to currency fluctuations, and economic and political risks, which may be enhanced in emerging markets. **Mortgage and asset-backed securities** may be sensitive to changes in interest rates, subject to early repayment risk, and while generally backed by a government, government-agency or private guarantor there is no assurance that the guarantor will meet its obligations. **High yield, lower-rated, securities** involve greater risk than higher-rated securities; portfolios that invest in them may be subject to greater levels of credit and liquidity risk than portfolios that do not. Income from **municipal bonds** may be subject to state and local taxes and at times the alternative minimum tax. The credit quality of a particular security or group of securities does not ensure the stability or safety of the overall portfolio. **Equities** may decline in value due to both real and perceived general market, economic and industry conditions.; the risk that fund shares could trade at prices other than the net asset value; and the risk that the manager's investment decisions might not produce the desired results. **Sovereign securities** are generally backed by the issuing government. Obligations of U.S. government agencies and authorities are supported by varying degrees, but are generally not backed by the full faith of the U.S. government; portfolios that invest in such securities are not guaranteed and will fluctuate in value. Certain **U.S. Government securities** are backed by the full faith of the government, obligations of U.S. Government agencies and authorities are supported by varying degrees but are generally not backed by the full faith of the U.S. Government; portfolios that invest in such securities are not guaranteed and will fluctuate in value. **Derivatives** may involve certain costs and risks such as liquidity, interest rate, market, credit, management and the risk that a position could not be closed when most advantageous. Investing in derivatives could lose more than the amount invested. **Diversification** does not ensure against loss. **Management risk** is the risk that the investment techniques and risk analyses applied by PIMCO will not produce the desired results, and that certain policies or developments may affect the investment techniques available to PIMCO in connection with managing the strategy.

PIMCO as a general matter provides services to qualified institutions, financial intermediaries and institutional investors. Individual investors should contact their own financial professional to determine the most appropriate investment options for their financial situation. This material contains the current opinions of the manager and such opinions are subject to change without notice. This material has been distributed for informational purposes only and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. 

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# Appendix

**INDEX DESCRIPTIONS**

FTSE 3-Month Treasury Bill Index is an unmanaged index representing monthly return equivalents of yield averages of the last 3 month Treasury Bill issues.

The ICE BofAML 1-3 Year U.S. Treasury Index is an unmanaged index comprised of U.S. Treasury securities, other than inflation protection securities and STRIPS, with at least $1 billion in outstanding face value and a remaining term to final maturity of at least one year and less than three years.

Bloomberg 1-3 Year Government/Credit Index is a broad-based benchmark that measures the non-securitized component of the Barclays U.S. Aggregate Index. It includes investment grade, U.S. dollar-denominated, fixed-rate Treasuries, government-related and corporate securities that have a remaining maturity of greater than or equal to one year and less than three years.

The ICE BofAML 1-10 Year U.S. Treasury Index is an unmanaged index comprised of U.S. Treasury securities, other than inflation protection securities and STRIPS, with at least $1 billion in outstanding face value and a remaining term to final maturity of at least one year and less than ten years.

The Bloomberg U.S. Aggregate Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

The Bloomberg 1-10 Year Municipal Bond Index is an unmanaged index considered to be generally representative of investment-grade municipal issues having remaining maturities from 1-10 years and a national scope.

It is not possible to invest directly in an unmanaged index.

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CMR2024-0918-3856801

PIMCO

# Bonds are Back
# The Active Advantage

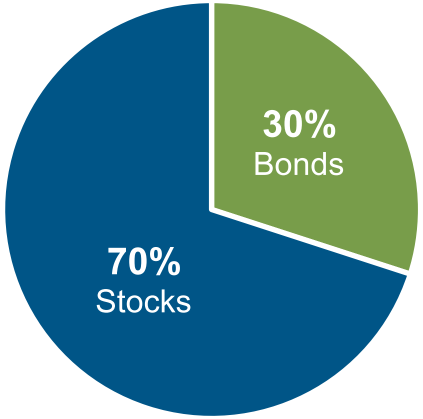
September 2024

**IMPORTANT NOTICE**

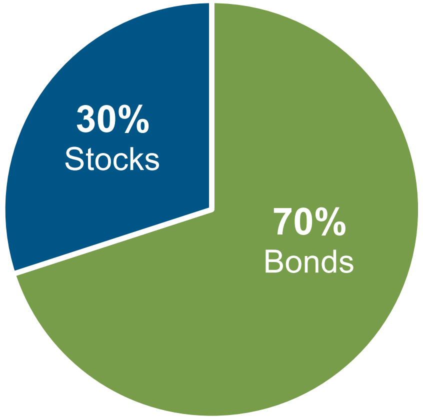
Please note that the following contains the opinions of the manager as of the date noted, and may not have been updated to reflect real time market developments. All opinions are subject to change without notice.

# Asset Allocation: Bonds can help provide capital preservation

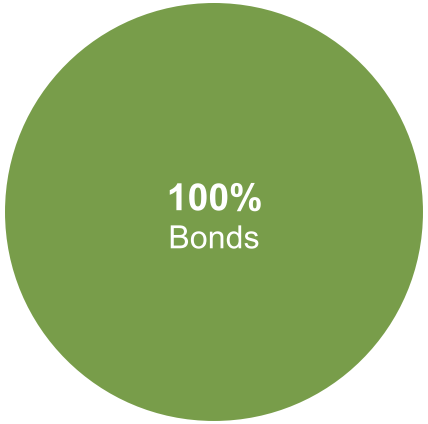

| | |
|---|---|
| **Avg annual return** | 12.96% |
| **Best year (1995)** | 37.56% |
| **Worst year (2008)** | -36.92% |
| **Years with a loss** | 9 |




| | |
|---|---|
| **Avg annual return** | 11.11% |
| **Best year (1995)** | 31.83% |
| **Worst year (2008)** | -24.28% |
| **Years with a loss** | 8 |




| | |
|---|---|
| **Avg annual return** | 8.64% |
| **Best year (1982)** | 29.30% |
| **Worst year (2022)** | -14.54% |
| **Years with a loss** | 5 |

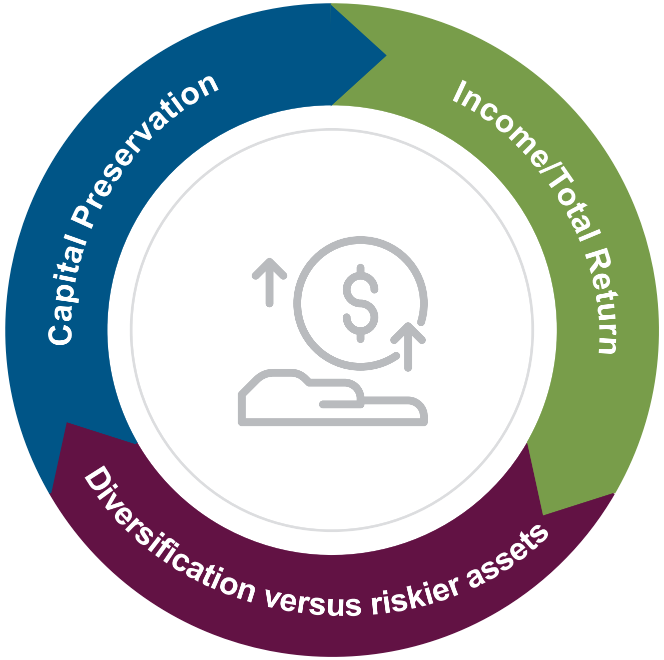



| | |
|---|---|
| **Avg annual return** | 6.79% |
| **Best year (1982)** | 32.62% |
| **Worst year (2022)** | -13.01% |
| **Years with a loss** | 5 |

As of 31 December 2023
Period analyzed runs from 31 December 1976 to 31 December 2023
Source: Global Financial Data; Equity: US Large Company Stocks (S&P 500), Fixed Income: US 10-year Treasury Bonds
**Past performance is not a guarantee or a reliable indicator of future results**. Not indicative of the past or future performance of any PIMCO product.
Refer to Appendix for additional index, investment strategy and risk information.

# Role of core bonds in a portfolio

## What are the possible benefits of core bonds?




### Capital Preservation

- Long-term **capital preservation**,
- Portfolio **stability (low vol)**
- **Downside risk mitigation (smaller drawdowns)**

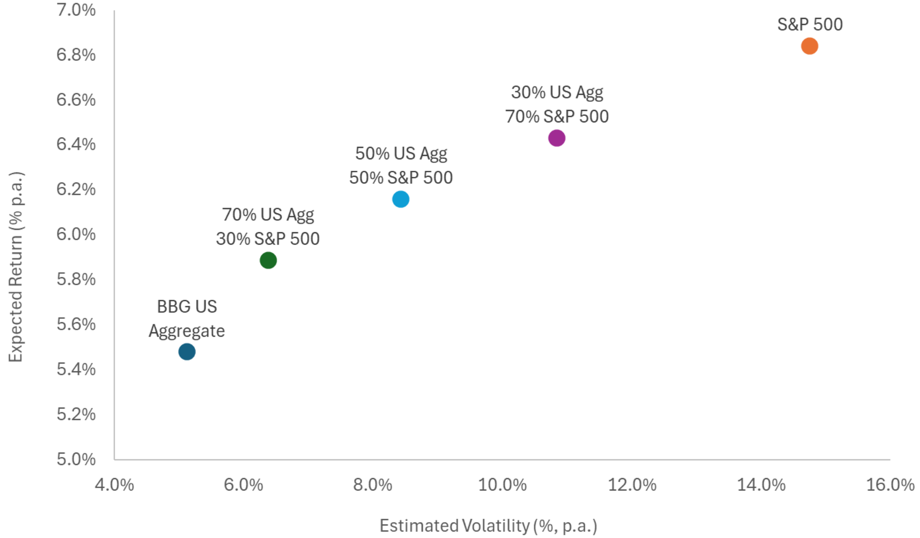
### Income Total/Return

- **Capital appreciation potential**
- Attractive **income stream**

### Diversification versus riskier assets

- Low correlation to riskier assets, with **stronger hedging characteristics in times of distress**

### Core Bonds in a broader portfolio context




| | BBG US Aggregate | S&P 500 | 70% US Agg 30% S&P500 | 50% US Agg 50% S&P500 | 30% US Agg 70% S&P500 |
|---|---|---|---|---|---|
| **Estimated Return (%, p.a.)**[1] | 5.5% | 6.8% | 5.9% | 6.2% | 6.4% |
| **Estimated Volatility (%, p.a.)**[2] | 5.1% | 14.8% | 6.4% | 8.4% | 10.9% |
| **Sharpe Ratio** | 0.39 | 0.23 | 0.37 | 0.32 | 0.27 |

As of 31 August 2024. SOURCE: PIMCO. Base currency is U.S. dollar.
**For illustrative purposes only. Figure is not indicative of the past or future results of any PIMCO product or strategy. There is no assurance that the stated results will be achieved.**
[1]Return estimates are based on PIMCO's Capital Market Assumptions as of June 2024. These are the product of risk factor exposures and projected risk factor premia which rely on fair value models and qualitative inputs from senior PIMCO investment professionals.
[2]See Appendix for additional information regarding volatility estimates. **The views and expectations represent those of PIMCO. Statements concerning financial market trends are based on current market conditions which will fluctuate. PIMCO's capital market assumptions (CMA) represent forward looking views which may change. PIMCO makes no guarantee that any forecasts, projections or targets stated will materialize or lead to returns.**
Refer to Appendix for additional hypothetical illustration, index, investment strategy, portfolio analysis, return assumption, and risk information.

# Fixed income allocations may offer multiple benefits to a portfolio

## Income

Bonds can provide investors with a source of income in the form of coupon payments.

## Defense against capital loss

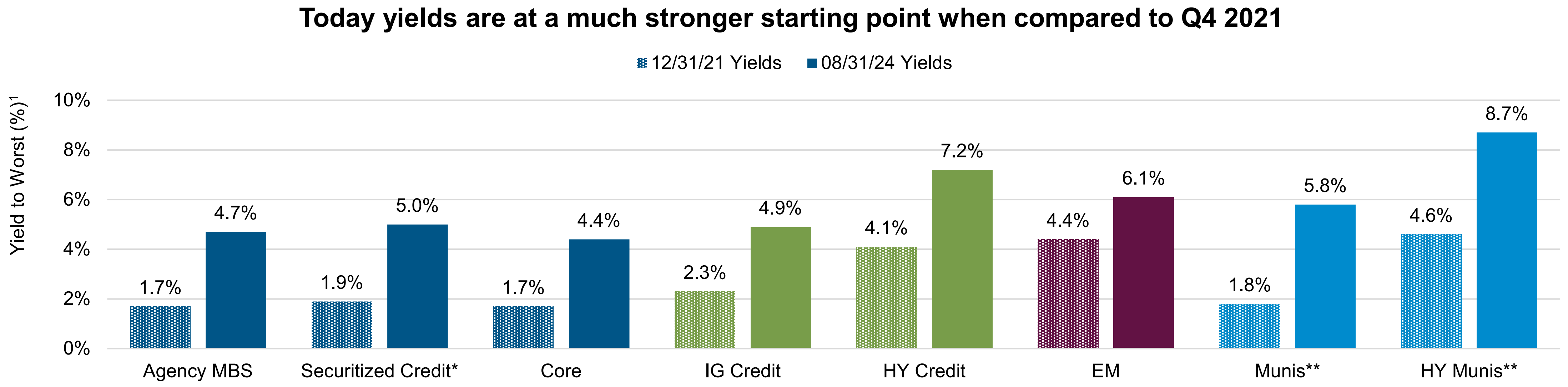
Barring default, the principal value of a bond is expected to be retuned to the investor at maturity.

## Diversification

Bonds may help diversify a portfolio of riskier assets like stocks.

**For illustrative purposes only.**
Source: PIMCO
All investments contain risk and may lose value.
Refer to Appendix for additional investment strategy and risk information.

# Yields across most fixed income sectors are high vs. recent history




| | Agency MBS | Securitized Credit* | Core | IG Credit | HY Credit | EM | Munis** | HY Munis** |
|---|---|---|---|---|---|---|---|---|
| **Change in Yields (bps)** | +298 | +304 | +274 | +261 | +303 | +168 | +403 | +410 |
| **Dec '21 – Sept '22** | -13.7% | -6.3% | -14.6% | -18.1% | -14.7% | -22.2% | -12.1% | -16.0% |
| **Sept '22 – Aug '24** | 5.5% | 7.1% | 5.5% | 7.9% | 12.6% | 12.8% | 6.2% | 10.2% |

As of 31 August 2024. SOURCE: Bloomberg, PIMCO. **Past performance is not a guarantee or a reliable indicator of future results.**
Index proxies for asset classes displayed are as follows: Agency MBS: Bloomberg MBS Fixed Rate Index, Munis: Bloomberg Municipal Bond Index, HY Munis: Bloomberg HY Muni Bond Index, Core: Bloomberg U.S. Aggregate, HY Credit: Bloomberg U.S. Corporate High Yield Index, EM: JPMorgan EMBI Global, IG Credit: Bloomberg US Credit Index
* Securitized Credit computed as average of CLOs, CMBS, and ABS from JPMorgan and Bloomberg.
** Municipal yields are the taxable equivalent yield, adjusted by the highest marginal tax rate (40.8%). Unadjusted IG Muni index yield is 3.4% with a change of 238bps compared to 12/31/2021 levels, the unadjusted HY Muni Index yield is 5.1% with a change of 243bps compared to 12/31/2021 levels.
1 The yield to worst is the yield resulting from the most adverse set of circumstances from the investor's point of view; the lowest of all possible yields.
Refer to Appendix for additional index, outlook, and risk information.

# Investing in bonds can be more challenging than stocks

Complexity in a company's debt securities can create opportunities for outperformance.

**Company X**

Bond investors may have many different security options

- **AAA**
- **5 year**
- **BBB**
- **Callable**
- **20 year**
- **Unsecuritized**
- **10 year**
- **Securitized**

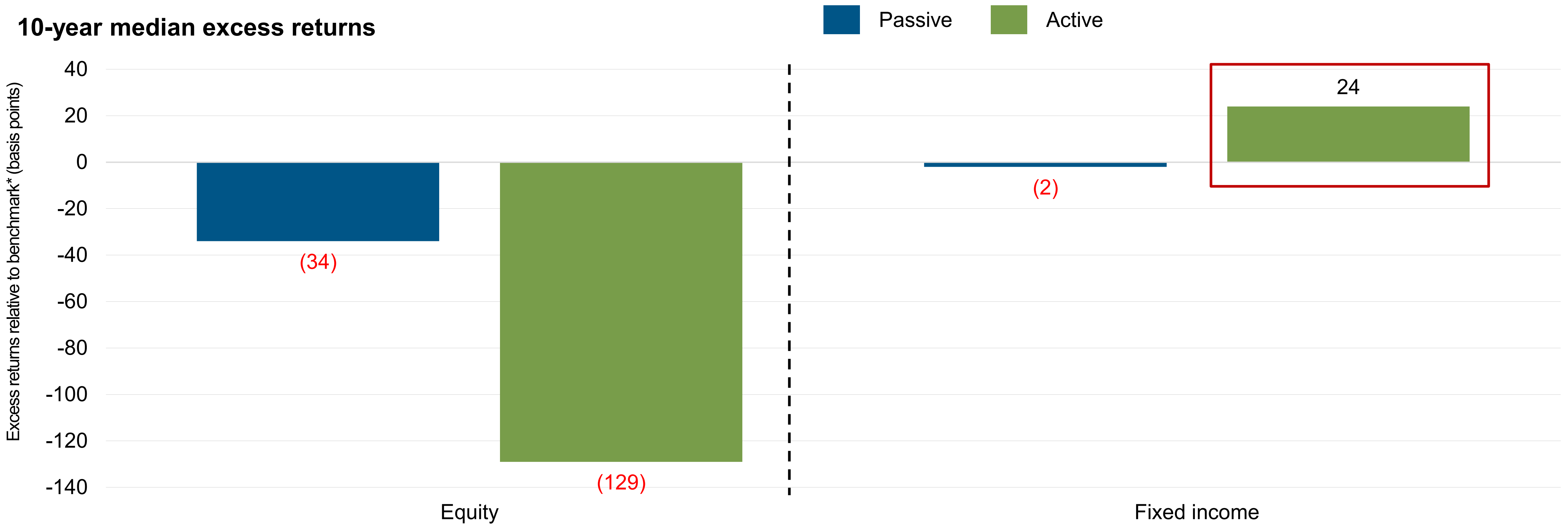
Equity Investors have **one** security option

- **Stock**

Source: PIMCO.
**Example for illustrative purposes only.**

# Why active for bonds?

## Passive may make sense for equities – but bonds are different




As of 30 June 2024; Source: Morningstar

**Past performance is not a guarantee or a reliable indicator of future results.** Chart is provided for illustrative purposes and is not indicative of the past or future performance of any PIMCO product.

As of 30 June 2024; Source: Morningstar

Based on Morningstar U.S. Fund categories (Institutional shares only). "Fixed Income" combines the Morningstar U.S. Fund Intermediate Core and Core-Plus categories. "Equities" is based on the Morningstar U.S. Fund Large Cap Blend Category.

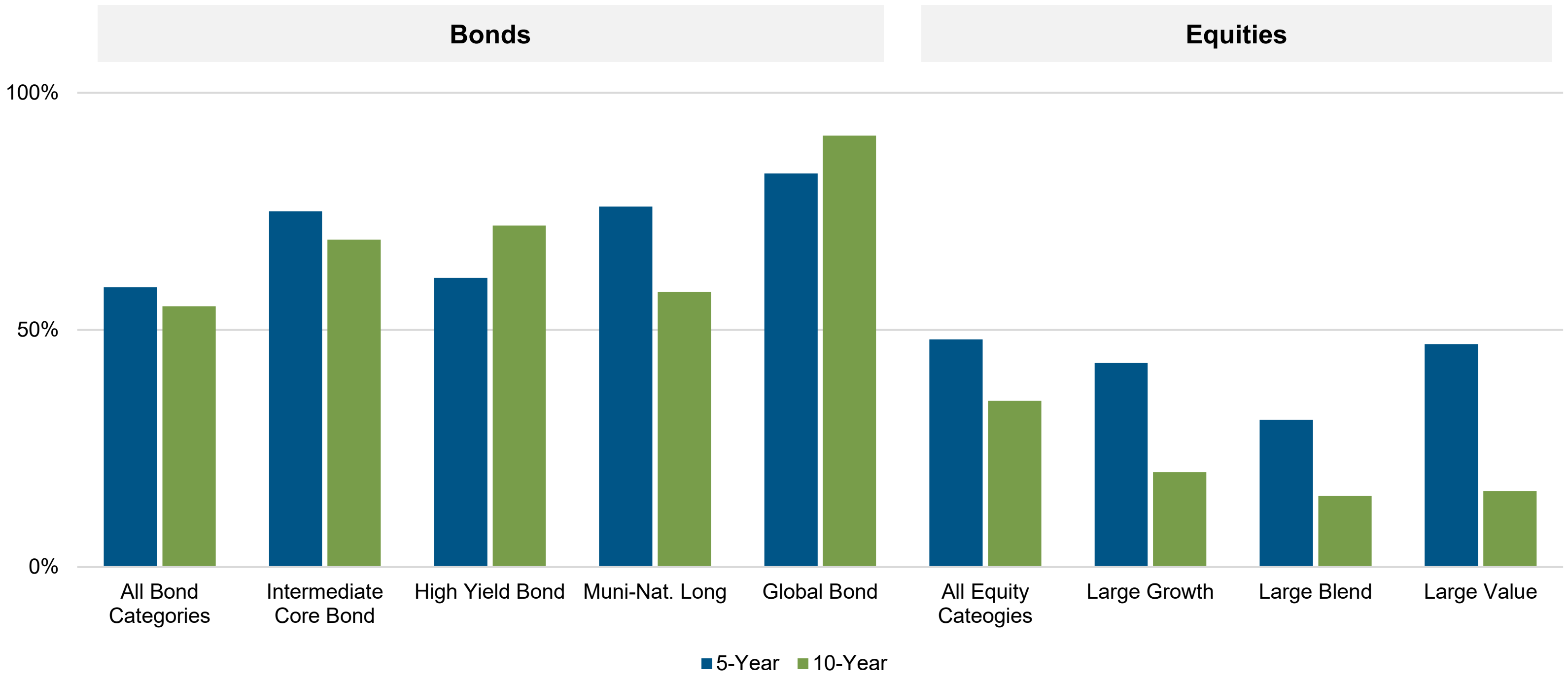
*The Benchmark for - Fixed Income: Bloomberg U.S. Aggregate Index; Equity: S&P 500 Index

This data does not take into account all fixed income and equity categories tracked by Morningstar and does not represent all outcomes.

Refer to Appendix for additional index, investment strategy, and risk information.

# Bonds are different – active equity managers tend to underperform passive while active bond managers tend to outperform

**Percentage of active mutual funds and ETFs that outperformed their median passive peers after fees**




## Why Active Bond Management Works

- Index replication is challenging in bond markets
- Bond index design may be suboptimal
- Many bond market participants do not seek to maximize profits

As of 31 December 2023, latest data available; Source: Morningstar Direct and PIMCO. **Past performance is not a guarantee or a reliable indicator of future results.** Chart is provided for illustrative purposes and is not indicative of the past or future performance of any PIMCO product.
All Bond Categories include all taxable and tax-exempt categories in the US Morningstar Mutual Fund and ETF universe, All Equity Categories includes all equity categories in the US Morningstar Mutual Fund and ETF Universe. Based on Morningstar U.S. ETF and U.S. Open-End Fund categories (institutional shares only). To avoid potential survivorship bias, we included funds and ETFs that were live at the beginning of each sample period but were liquidated or merged in any point in time. There are material differences between actively managed ETFs and passively managed ETFs. Passively managed ETFs seek to track their benchmark indexes as closely as possible, whereas actively managed ETFs seek to beat their benchmark indexes by buying and selling securities based on their particular investment strategies. Accordingly, passively managed ETFs tend to be less expensive than actively managed ETFs. Depending on market conditions, passively managed ETFs may outperform actively managed ETFs that invest in similar assets, and vice-versa.
Refer to Appendix for additional investment strategy and risk information.

# Selecting a bond manager: Why style matters

Scale and access to resources and markets are important.

### Independent Research

In-depth analysis to understand creditworthiness

### Resources

Ability to navigate thousands of issuers and negotiate terms

### Global Reach

Analysts and portfolio managers around the world uncover unique opportunities across regions

### Robust Execution

Specialist teams focus on how to best implement views across capital structure and currency

Source: PIMCO
**For illustrative purposes only.**
Refer to Appendix for additional investment strategy and risk information.

# The fixed income opportunity: Attractive Yields and Diversification

| Current levels | | Valuations on select fixed income asset classes appear compelling to relative to the past 10 years (percentile) |
|---|---|---|
| U.S. Core | 4.4% yield | 83rd |
| Global Agg | 4.9% yield | 83rd |
| Emerging Markets - Local | 6.7% yield | 69th |
| Munis* | 5.8% yield | 85th |
| Agency MBS | 130 bps spread | 80th |
| AAA-Securitized** | 91 bps spread | 56th |
| Investment Grade Credit | 93 bps spread | 19th |
| High Yield Credit | 324 bps spread | 8th |

***Rich*** in historical context ← → ***Cheap*** in historical context

As of 31 August 2024. SOURCE: Bloomberg, PIMCO. **Past performance is not a guarantee or a reliable indicator of future results.** Percentiles are calculated for the previous 10 years.
Proxies for asset classes displayed are as follows: Agency MBS: 30Y FNCL Par Coupon Index, Munis: Bloomberg Municipal Bond Index (incept: 1/30/80), U.S. Core: Bloomberg U.S. Aggregate (incept: 1/30/76), Global Agg: Bloomberg Global Aggregate USD Hedged (incept: 1/1/99), HY Credit: ICE BofA Developed Markets High Yield Constrained Index (incept: 12/31/97), EM Local: JPMorgan GBI-EM Global Diversified Composite Index (incept: 12/31/02), IG Credit: Bloomberg Global Aggregate Credit Index (incept: 09/01/00). * Municipal yields are the taxable equivalent yield, adjusted by the highest marginal tax rate (40.8%). Unadjusted IG Muni index yield is 3.44%, 112 bps higher than the most recent 10Y average. Tax equivalent yield is intended for U.S. domiciled investors and is the return that a taxable bond would need to equal the yield on a comparable federal tax-exempt municipal bond. The yield to worst is the yield resulting from the most adverse set of circumstances from the investor's point of view; the lowest of all possible yields. ** AAA-Securitized YTW computed as average of AAA CLOs, CMBS, and ABS from JPMorgan and Barclays.
Refer to Appendix for additional index, OAS, outlook, valuation and risk information.

# Investing in bonds

There's a variety of structures to consider.

### Certificates of deposit (CDs)

- FDIC insured
- Less flexibility

### Individual bonds

- Select issuer and maturity
- Lack of diversification
- Transaction costs

### Bond mutual funds

- Broad market access
- Daily liquidity
- Manager selection

### Bond exchange-traded funds (ETFs)

- Broad market access
- Intra-day liquidity
- Possible tax efficiency

### Separately managed accounts (SMAs)

- Professional management
- Ability to generate tax managed benefits
- Manager selection

Source: PIMCO; Consolidated Appropriations Act, 2023
PIMCO does not provide legal or tax advice. Please consult your tax and/or legal counsel for specific tax or legal questions and concerns.
Refer to Appendix for additional investment strategy and risk information.

# Appendix

**Past performance is not a guarantee or a reliable indicator of future results.**

**CHART**
Performance results for certain charts and graphs may be limited by date ranges specified on those charts and graphs; different time periods may produce different results. Charts are provided for illustrative purposes and are not indicative of the past or future performance of any PIMCO product.

**CREDIT QUALITY**
The credit quality of a particular security or group of securities does not ensure the stability or safety of an overall portfolio. The quality ratings of individual issues/issuers are provided to indicate the credit-worthiness of such issues/issuer and generally range from AAA, Aaa, or AAA (highest) to D, C, or D (lowest) for S&P, Moody's, and Fitch respectively.

**HYPOTHETICAL ILLUSTRATION**
Hypothetical illustrations have many inherent limitations, some of which are described below. No representation is being made that any account will or is likely to achieve results similar to those shown. In fact there are frequently sharp differences between hypothetical results and actual results subsequently achieved by any particular trading program.

One of the limitations of hypothetical results is that they are generally prepared with the benefit of hindsight. In additional, hypothetical scenarios do not involve financial risk, and no hypothetical illustration can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or to adhere to a particular trading program in spite of trading losses are material points which can also adversely affect actual trading results. There are numerous other factors related to the markets in general or to the implementation if any specific trading program which cannot be fully accounted for in the preparation of a hypothetical illustration and all of which can adversely affect actual results.

**INDEX**
It is not possible to invest directly in an unmanaged index.

**INVESTMENT STRATEGY**
There is no guarantee that these investment strategies will work under all market conditions or are appropriate for all investors and each investor should evaluate their ability to invest long-term, especially during periods of downturn in the market.

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**OAS**
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**OUTLOOK**
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**PORTFOLIO ANALYSIS**
The portfolio analysis is based on indices. No representation is being made that the structure of the average portfolio or any account will remain the same or that similar returns will be achieved. Results shown may not be attained and should not be construed as the only possibilities that exist. Different weightings in the asset allocation illustration will produce different results. Actual results will vary and are subject to change with market conditions. There is no guarantee that results will be achieved. No fees or expenses were included in the estimated results and distribution. The scenarios assume a set of assumptions that may, individually or collectively, not develop over time. The analysis reflected in this information is based upon data at time of analysis. Forecasts, estimates, and certain information contained herein are based upon proprietary research and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product.

PIMCO routinely reviews, modifies, and adds risk factors to its proprietary models. Due to the dynamic nature of factors affecting markets, there is no guarantee that simulations will capture all relevant risk factors or that the implementation of any resulting solutions will protect against loss. All investments contain risk and may lose value. Simulated risk analysis contains inherent limitations and is generally prepared with the benefit of hindsight. Realized losses may be larger than predicted by a given model due to additional factors that cannot be accurately forecasted or incorporated into a model based on historical or assumed data.

# Appendix

**RISK**

Investing in the **bond** market is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk. The value of most bonds and bond strategies are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and volatile than those with shorter durations; bond prices generally fall as interest rates rise, and low interest rate environments increase this risk. Reductions in bond counterparty capacity may contribute to decreased market liquidity and increased price volatility. Bond investments may be worth more or less than the original cost when redeemed. **Inflation-linked bonds (ILBs)** issued by a government are fixed income securities whose principal value is periodically adjusted according to the rate of inflation; ILBs decline in value when real interest rates rise. **Treasury Inflation-Protected Securities (TIPS)** are ILBs issued by the U.S. government. **Sovereign** securities are generally backed by the issuing government, obligations of U.S. Government agencies and authorities are supported by varying degrees but are generally not backed by the full faith of the U.S. Government; portfolios that invest in such securities are not guaranteed and will fluctuate in value. Investing in **foreign denominated and/or domiciled securities** may involve heightened risk due to currency fluctuations, and economic and political risks, which may be enhanced in emerging markets. **Commodities** contain heightened risk including market, political, regulatory, and natural conditions, and may not be suitable for all investors. **Mortgage and asset-backed securities** may be sensitive to changes in interest rates, subject to early repayment risk, and their value may fluctuate in response to the market's perception of issuer creditworthiness; while generally supported by some form of government or private guarantee there is no assurance that private guarantors will meet their obligations. **High-yield, lower-rated, securities** involve greater risk than higher-rated securities; portfolios that invest in them may be subject to greater levels of credit and liquidity risk than portfolios that do not. Equities may decline in value due to both real and perceived general market, economic, and industry conditions. **Derivatives and commodity-linked derivatives** may involve certain costs and risks such as liquidity, interest rate, market, credit, management and the risk that a position could not be closed when most advantageous. Commodity-linked derivative instruments may involve additional costs and risks such as changes in commodity index volatility or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. Investing in derivatives could lose more than the amount invested. **Diversification** does not ensure against loss.

**RETURN ASSUMPTIONS**

Return assumptions are for illustrative purposes only and are not a prediction or a projection of return. Return assumption is an estimate of what investments may earn on average over the long term. Actual returns may be higher or lower than those shown and may vary substantially over shorter time periods. For indices, return estimates are based on the product of risk factor exposures and projected risk factor premia. The projections of risk factor premia rely on historical data, valuation metrics and qualitative inputs from senior PIMCO investment professionals.

**VALUATION**

The terms “cheap” and “rich” as used herein generally refer to a security or asset class that is deemed to be substantially under- or overpriced compared to both its historical average as well as to the investment manager’s future expectations. There is no guarantee of future results or that a security’s valuation will ensure a profit or protect against a loss.

**VOLATILITY**

We employed a block bootstrap methodology to calculate volatilities. We start by computing historical factor returns that underlie each asset class proxy from January 1997 through the present date. We then draw a set of 12 monthly returns within the dataset to come up with an annual return number. This process is repeated 25,000 times to have a return series with 25,000 annualized returns. The standard deviation of these annual returns is used to model the volatility for each factor. We then use the same return series for each factor to compute covariance between factors. Finally, volatility of each asset class proxy is calculated as the sum of variances and covariance of factors that underlie that particular proxy. For each asset class, index, or strategy proxy, we will look at either a point in time estimate or historical average of factor exposures in order to determine the total volatility. Please contact your PIMCO representative for more details on how specific proxy factor exposures are estimated.



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